

CONNECTICUT'S USE OF TOBACCO SETTLEMENT FUNDS

Highlights of Policy Changes Enacted During 2000 Session

The Legislature adopted numerous policy changes related to the Tobacco Settlement Fund during the 2000 Session. For further detail see the chart and discussion on the following pages. Major changes include

1. Reducing amounts transferred to the General Fund as revenue to reflect reduced payments by tobacco companies to states.
2. Establishing guidelines for distribution of Tobacco Settlement Fund moneys in years commencing with FY 02.
3. Defining eligible uses of the Tobacco and Health Trust Fund.
4. Creating a Board of Trustees for the Tobacco and Health Trust Fund and spelling out a formal process by which the Board will make recommendations for disbursements from the Fund, to include a legislative committee review process.
5. Directing \$500,000 in FY 01 from the Tobacco and Health Trust Fund to the Department of Mental Health and Addiction Services (DMHAS) for grants to Regional Action Councils.
6. Establishing a Biomedical Research Trust Fund (as of July 1, 2001).
7. Requiring the Department of Public Health and DMHAS to develop a Tobacco Abuse Reduction and Health Plan by April 1, 2001.

Tobacco Settlement Fund
(in millions)

	Original Budget (SA 99-10)		Revised Budget (SA 00-13, PA 00-170, SA 00-216)		Changes Adopted during 2000 Session	
	FY 00	FY 01	FY 00	FY 01	FY 00	FY 01
Beginning Balance	\$ -	\$ 62.8	\$ -	\$ 46.9	\$ -	\$ (15.9)
CT Share of Tobacco Settlement	165.8	133.5	165.8	133.5	-	-
Less Volume Adjustment	-	-	(13.9)	(21.6)	(13.9)	(21.6)
Less NMP Adjustment *	-	-	(2.0)	-	(2.0)	-
Subtotal – Available Funds	165.8	196.3	149.9	158.8	(15.9)	(37.5)
Less: Transfers						
Transfer to General Fund	(78.0)	(150.3)	(78.0)	(138.8)	-	(11.5)
Transfer to Tobacco Grant Account	(5.0)	-	(5.0)	-	-	-
Transfer to Tobacco Health Trust Fund **	(20.0)	(20.0)	(20.0)	(19.5)	-	0.5
Transfer to DMHAS, Regional Action Councils	-	-	-	(0.5)	-	(0.5)
Subtotal – Transfers	(103.0)	(170.3)	(103.0)	(158.8)	-	(11.5)
Ending Balance	\$ 62.8	\$ 26.0	\$ 46.9	\$ -	\$ (15.9)	\$ (26.0)

* The various state's Attorneys General are pursuing legal action that may result in the recoupment of the NPM (Non-Participating Manufacturers) adjustment in the future.

** Section 22 of PA 00-216 reduces the \$19.5 million in FY 01 by \$30,000 to reflect a transfer from the Tobacco and Health Trust Fund to the Other Expenses account of the Department of Public Health to reflect costs of implementing PA 00-57, "AA Establishing the Reporting of Community Benefits Programs by Managed Care Organizations and Hospitals."

Transfer to General Fund

SA 99-10 (the Appropriations Act) transferred \$78 million in FY 00 and \$150.3 million in FY 01 from the Tobacco Settlement Fund to the General Fund. SA 00-13 (the Appropriations Act) reduces the transfer to the General Fund from \$150.3 million to \$138.8 million in FY 01. This reduction eliminates a potential \$11.5 million deficit in the Fund due to \$35.5 million in total volume adjustments (resulting in reduced payments to states) and a \$2 million non-participating manufacturers (NPM) adjustment. An end of year balance of \$26.0 million was originally programmed for FY 01. Changes adopted during the 2000 Session will result in a zero balance at the end of FY 01.

Tobacco Grant Account

PA 99-2 JSS disbursed \$5 million to a Tobacco Grant account under the Office of Policy and Management (OPM). These funds were earmarked for reducing tobacco abuse through prevention, education, cessation, treatment, enforcement and health needs programs.

After consultation by OPM with legislative leaders and the Public Health Committee, it was requested that \$1 million be set aside for the purpose of funding a long-term Tobacco Prevention and Control Plan, a collaborative effort involving the Departments of Public Health and Mental Health and Addiction Services.

OPM established a grant application process for distribution of the remaining \$4 million to reduce tobacco abuse among children and adults in Connecticut. Organizations chosen to receive the Anti-Tobacco grants are:

1. Alden Event Productions – Media Component
2. Training Solutions Interactive – Curriculum Component
3. North Castle Partners – Evaluation Component

At this time, OPM is in the process of negotiating with these three companies and has indicated that they are unable to provide exact figures for each grant.

Tobacco and Health Trust Fund

PA 99-2 JSS, (the “Public Health Implementer”) established a Tobacco and Health Trust Fund, and authorized the disbursement of \$20 million to the Fund in each of FY 00 and FY 01. PA 00-170 (the Tax Act) reduces the second year contribution to the Fund to \$19.5 million, by directing \$500,000 to the Department of Mental Health and Addiction Services to enhance state support of Regional Action Councils (RACs). The RACs are multi-town public/private partnerships whose purpose is to identify services gaps in the continuum of care: community awareness, prevention, intervention, treatment and aftercare.

PA 00-216 defines eligible uses of the Tobacco and Health Trust Fund and establishes a seventeen-member Board of Trustees to make recommendations about the authorization of disbursements. For each of FY 01 – 05, the Board may recommend authorization of up to fifty percent of the net earnings from the principal of the Trust Fund. In FY 06 and each subsequent fiscal year it may recommend authorization of up to one hundred percent of these same net earnings.

Recommendations must give priority to programs addressing tobacco and substance abuse that serve minors, pregnant women and parents of young children. Additionally, the Board must consider the availability of private matching funds when formulating proposed disbursements. Supplanting appropriated funds with Tobacco and Health Trust Fund moneys is prohibited.

The Joint Standing Committees on Appropriations and Public Health are to receive the Board of Trustees' recommendations and meet within thirty days thereafter to approve, modify or reject them. A committee on conference will be formed in cases when the two committees do not concur. If the committees do not concur with the conference committee report, or do not act within the required thirty-day timeframe, the Board's recommendations are considered approved.

Once a spending plan is approved, any future modification of an authorized disbursement, in excess of the lesser of \$50,000 or ten percent of the authorized amount, must be submitted to the committees through the Office of Fiscal Analysis. The approval process remains the same as for the original recommendation.

By February 1st of each year, the Board of Trustees must submit a report to the General Assembly presenting information regarding all disbursements and other expenditures from the Tobacco and Health Trust Fund as well as a program evaluation of each funded program. The report must include the criteria and application process used to select these programs.

Use of Tobacco Settlement Funds in Future Fiscal Years

PA 00-216, "AAC Expenditures for the Programs and Services of the Department of Public Health," establishes guidelines for the future distribution of moneys deposited to the Tobacco Settlement Fund. Commencing in FY 02 and annually thereafter

- at least \$12 million will be placed in the Tobacco and Health Trust Fund,
- \$4 million will be dedicated to a new Biomedical Research Trust Fund to be administered by the Department of Public Health,
- an amount included within the General Fund revenue schedule adopted by the General Assembly will be transferred to General Fund.

Biomedical Research Trust Fund

Pursuant to PA 00-216, beginning July 1, 2001, the Department of Public Health (DPH) may award grants from a newly created Biomedical Research Trust Fund. As well as receiving \$4 million annually from the Tobacco Settlement Fund, the Biomedical Research Trust Fund may apply for and accept gifts, grants or donations from other sources.

Awards will be limited to \$2 million in aggregate in FY 02, and up to fifty percent of the total held in the trust fund on the date grants are approved in FY 03 and each following fiscal year. Grants may be made for to eligible institutions for biomedical research related to heart disease, cancer and other tobacco-related diseases. An eligible institution is defined as

- a nonprofit, tax-exempt academic institution of higher education, or
- a hospital conducting biomedical research.

The DPH must develop an application for Biomedical Research Trust Fund grants by April 1, 2001, and may receive applications from interested parties on and after the same date.

Tobacco Abuse Reduction and Health Plan

The Act requires the Departments of Public Health and Mental Health and Addiction Services to develop a Tobacco Abuse Reduction and Health Plan, to be submitted by April 1, 2001 to the Joint Standing Committees on Appropriations and Public Health. The plan must consider and recommend actions to

- reduce tobacco and substance abuse, and
- address unmet physical and mental health needs in Connecticut, based upon the most recent version of the DPH's State Health Plan.¹

¹ The Department of Public Health issued "Looking Toward 2000: An Assessment of Health Status and Health Services" in 1998. The publication date of the next health plan is uncertain at this time.